

TABLE OF CONTENTS

INTRODUCTION	1
SCOPE	1
EXECUTIVE SUMMARY	2
LOCAL OFFICE RESPONSE	2
FINDINGS AND RECOMMENDATIONS	
<u>Cash Receipts</u>	
Mail Opening	2
Daily Mail Record of Cash Receipts	3
Permanent File of FIA-138/2362's	3
Money Orders on Hand	3-4
<u>Cash Disbursements</u>	
Sign-O-Meter Reconciliation	4
<u>General Ledger</u>	4
<u>Modified Accrual Basis Balance Sheet</u>	
Modified Accrual Basis Balance Sheet Incorrectly Prepared	4
Outstanding Accounts Receivable Files	5
<u>Safe and Controlled Documents</u>	
Controlled Document Log	5
Petty Cash	6
Control of Bus Tickets	6
Working Supply of Field Receipts	6-7
Controlled Document Log	7
<u>Medical Transportation</u>	

<u>State Emergency Relief</u>	
Payment Authorization Files	8
FIA-849 Payments	8-9
<u>Employment Support Services</u>	9
<u>Client Processing</u>	9
<u>CIS/ASSIST</u>	
CIS Security Agreements	9
CIS/ASSIST Status Codes	10
MA-010 Reconciliation – Supplemental Payments	10
Missing ASSIST Security Agreements	11
<u>IRS Information Security</u>	11
<u>Payroll and Timekeeping</u>	11
<u>Procurement Card</u>	11
<u>Local Office Contracting Process</u>	11
<u>Niles Office Findings and Recommendations</u>	
<u>Cash Receipts</u>	
Permanent File of FIA-138/2362's	11-12
<u>Safe and Controlled Documents</u>	
Control of Bus Tickets	12
Payment Authorization Files	12-13

INTRODUCTION

The Office of Internal Audit performed an audit of Berrien County FIA for the period October 1 through December 1, 2000. The objectives of our audit were to determine if internal controls in place at the local office provide reasonable assurance that departmental assets are safeguarded, transactions are properly recorded on a timely basis, and policies and procedures of the Michigan Family Independence Agency (FIA) are being followed. Berrien County FIA had 200 full time equated positions (FTE's) at the time of our review. Berrien County FIA provided assistance to an average 13,395 recipients per month during FY 1999, with total assistance payments of \$17,736,555 during that year.

SCOPE

Our audit was performed in accordance with Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. We obtained descriptions of significant systems operating at the Berrien County FIA, documented those systems, and evaluated controls in each system. We tested the systems for compliance, where feasible. Our audit included the following:

Cash Receipts	Cash Disbursements
General Ledger	Safe and Controlled Documents
Modified Accrual Basis Balance Sheet	Medical Transportation
Procurement Card	Payroll and Timekeeping
State Emergency Relief (SER)	Employment Support Services
Client Processing	CIS/ASSIST
IRS Information Security	Local Office Contracting Process

EXECUTIVE SUMMARY

Based on our audit, we conclude that the Berrien County FIA internal controls need improvement in order to provide management with reasonable assurance that assets are safeguarded and transactions are executed in accordance with management's authorization.

LOCAL OFFICE RESPONSE

The management of the Berrien County FIA office is in general agreement with the findings in this report, except for finding #13 pertaining to necessary documentation to authorize Medical Transportation for customers. The county believes they are complying with the current MA policy by having the the MSA-4674 signed by a medical professional.

FINDINGS AND RECOMMENDATIONS

Cash Receipts

Mail Opening

1. Berrien County FIA had two people open the mail, but do not prepare the mail log as required by Accounting Manual Item 430. The clerical pool clerks prepare the in house mail log on the computer and two people sign. A copy is kept in the clerical pool and the original with the negotiables is sent to the accounting unit. Having two people opening the mail and logging the negotiables helps to ensure that cash and negotiable instruments received in the mail are not lost or stolen prior to being recorded at the local office.

WE RECOMMEND that Berrien County FIA have two people open the mail and log the negotiables.

Daily Mail Record of Cash Receipts

2. The Berrien County FIA did not use the Daily Mail Record of Cash Receipts (FIA-4729) for all negotiables received for deposit. Instead the County used an In House Log to record all negotiables received in the mail. Accounting Manual Item 431 states that a FIA-4729 is to be used to record negotiables received for deposit.

WE RECOMMEND that the Berrien County FIA record all negotiables for deposit on the FIA-4729.

Permanent File of FIA138/2362's

3. Berrien County FIA did not maintain a permanent file of Action Taken on State Treasurers Warrants by the Local Office (FIA-138) and Services Warrant Rewrite/Disposition Request (FIA-2362) in strict alphabetical order as required by Accounting Manual Item 462. Keeping the file in alpha order provides an audit trail to the Record and Disposition of Checks/Warrants (FIA-61).

WE RECOMMEND that Berrien County FIA keep the completed FIA-138/2362's in alpha order as required by the Accounting Manual.

NOTE: Corrective action taken while the auditor was on site

Money Orders on Hand

4. Berrien County FIA was maintaining 2 money orders dating back to September 1994. These money orders need to be deposited to undetermined revenue and disposed of. Accounting Manual Item 435 states that all monies are to be deposited or disposed of timely.

WE RECOMMEND that Berrien County FIA dispose of the money orders on hand.

Cash Disbursements

Sign-O-Meter Reconciliation

5. Berrien County FIA did not document the reconciliation of the Sign-O-Meter Record (FIA-4711) with the Check Register, as required by Accounting Manual Item 410.1. Documentation that this reconciliation was performed is necessary to ensure that no checks go through the check signer that are accounted for in the accounting records.

WE RECOMMEND that Berrien County FIA document the reconciliation of the Sign-O-Meter Record with the Check Register.

General Ledger

No findings noted in this area

Modified Accrual Basis Balance Sheet

Modified Accrual Basis Balance Sheet Incorrectly Prepared

6. Berrien County FIA was preparing the Modified Accrual Basis Balance Sheet, but was not in accordance with the instructions in Accounting Manual item 402.3. The local office did not use the General Ledger balance for the Volunteer Services Donations amount instead the balance of this account was kept on a separate worksheet.

WE RECOMMEND that Berrien County FIA record the Volunteer Services Donations in the General Ledger.

Outstanding Accounts Receivable Files

7. Berrien County FIA did not record the Accounts Receivable Accounts due from State individually on the Social Welfare Fund Balance Sheet according to Accounting Manual Item 402.3. Instead the county recorded the total of all the Accounts Receivable Due from State on one line. Entering each account separately will assist in month end reconciliation of each account balance to the total of the documents in the respective Outstanding Accounts Receivable file.

WE RECOMMEND that Berrien County FIA record the Accounts Receivable Due from State amounts individually on the Balance Sheet.

Safe and Controlled Documents

Controlled Document Log

8. Berrien County FIA did not properly control blank checks. We noted that the local office did not have the correct balance on hand on the Controlled Document Log (FIA-4070) for the bulk inventory of blank checks. The amount recorded on the Monthly Inventory and Reconciliation of Controlled Documents (FIA-4351) did not reconcile to the FIA-4070 log. Properly recording the Balance on Hand and then verifying it to the FIA-4070 will assist in the preparation of the Monthly Controlled Document Inventory and Reconciliation to help ensure that loss, theft, or misuse of controlled documents, would be detected on a timely basis.

WE RECOMMEND that Berrien County FIA properly record the Balance on Hand of blank checks. Also, verify that the physical inventory reconciles to the amount on the FIA-4070 log.

Petty Cash

9. Berrien County was short \$150.00 in the petty cash fund. This fund was not properly controlled. The Petty Cash Reconciliation's were not completed on a quarterly basis as required by Accounting Manual Item 435.

WE RECOMMEND that Berrien County FIA reconcile the petty cash fund on a quarterly basis.

Control of Bus Tickets

10. Berrien County FIA did not properly control the inventory of bus tokens. The worker requests bus tickets and the fiscal clerk releases the tokens to the worker who in turn releases them to the client. Accounting Manual Item 403 requires that the fiscal office be responsible for the controlled documents. Releasing negotiable items to a worker increases the risk of misuse.

WE RECOMMEND that Berrien County FIA have the fiscal office release all control documents to the customer and have them sign for the item.

Working Supply of Field Receipts

11. Berrien County FIA did not properly reconcile the working supply of field receipts. We noted that the local office did not record the working supply of field receipts on the Monthly Controlled Document Inventory and Reconciliation (FIA-4351) as required by Accounting Manual Item 403. Properly recording the entire inventory of field receipts will help to ensure that loss, theft, or misuse of controlled documents, would be detected on a timely basis.

WE RECOMMEND that Berrien County FIA inventory and control all field receipts on hand.

Controlled Document Log

12. Berrien County FIA did not properly control bus tokens. We noted that the local office did not prepare a Controlled Document Log (FIA-4070) for the MA and Volunteer Services Bus Tokens as required by Accounting Manual Item 403. The MA and Volunteer Services Bus Tokens had issuance logs prepared and the ESS Bus Tokens were inventoried on a FIA-4070, but no issuance log was prepared. The physical inventory of ESS Bus Tokens was 52 tokens more than what the inventory records showed. Proper inventory records and reconciliation help to ensure that loss, theft, or misuse of controlled documents, would be detected on a timely basis.

WE RECOMMEND that Berrien County FIA prepare an issuance log and FIA-4070 for each group of bus tokens. At month end a physical inventory is to be taken and prepare the Monthly Controlled Document Inventory and Reconciliation form (FIA-4351).

Medical Transportation

Medical Transportation

13. Berrien County FIA did not have completed Medical Needs Authorizations (FIA-54A) on file for 1 out of 10 cases we tested. However, 6 out of the 9 cases had FIA-54A's dating from February 1991 to March 1998. Program Administrative Manual Item 825 and Accounting Manual Item 416 required that properly completed and current FIA-54A's be on file to document the need for medical transportation. Proper completion of all required information on the FIA-54A helps to ensure that medical transportation payments are only authorized when there is a documented medical need.

WE RECOMMEND that Berrien County FIA ensure that complete, up-to-date Medical Needs Authorizations are on file to document the need for all medical transportation payments.

State Emergency Relief

Payment Authorization Files

14. Berrien County FIA did not maintain the files of Supplemental Payment Authorizations (FIA-13), Medical Authorization Invoices (FIA-93A) and Authorization Invoices (FIA-849's) in strict alphabetical order, as required by Accounting Manual Item 404. Rather, the local office was maintaining the FIA-13's and FIA-93A's by letter, but each letter file was not in alpha order, and the FIA-849's were kept in date order attached to the ES-440 report. Maintaining the FIA-13's, FIA-93A's and FIA-849's in strict alphabetical provides an audit trail to easily detect how many Supplements, Medical Authorization Invoices and Authorization Invoices a client has received, and makes the FIA-13's, FIA-93A's and FIA-849's easy to retrieve if needed at a later date.

WE RECOMMEND that Berrien County FIA maintain FIA-13's, FIA-93A's, and FIA-849's in strict alphabetical order.

FIA-849 Payments

15. Berrien County FIA did not properly reconcile all payments listed on the FIA-849 Issuance Report (ES-440) with the FIA-849 and supporting documentation. We reviewed 31 FIA-849 payments and found 12 payments where the original invoice was not attached. We also reviewed 53 Medical Services Authorization Invoices FIA-93A's and Examination Authorization/Invoice for Services were properly reconciled. Accounting Manual Item 404 requires that the local office reconcile the amounts on the FIA-849

Issuance Report (ES-440) with the FIA-849 and attached vendor invoice. This reconciliation helps to ensure that FIA-849 payments are accurate and appropriate.

WE RECOMMEND that Berrien County FIA reconcile all payments listed on the ES-440 Report with the FIA-849's and attached vendor invoices.

Employment Support Services

No findings in this area

Client Processing

No findings in this area

CIS/ASSIST

CIS Security Agreements

16. Berrien County FIA did not have accurate, up-to-date CIS Security Agreements (FIA-3974A) on file for 1 employee who has access the Client Information System (CIS), as required by L-Letter 97-063. For thirty-six of the 198 agreements we reviewed the status code indicated on the FIA-3974A did not agree with the current status code listed on the Operator Identification Report (PF-011).

WE RECOMMEND that Berrien County FIA have all employees who have access to the CIS system complete a CIS Security Agreement and that the status codes on the Security Agreement are consistent with the status code on the PF-011 report.

CIS/ASSIST Status Codes

17. The two employees who reconcile the ampersand cases on the MA-010 report at Berrien County have FIS status on the Client Information System (CIS). They also have Job Type 240, 270, 280, and 360 on ASSIST. This combination of CIS case maintenance status

and capabilities to register and open a case would allow them to make changes to client cases and then process payments to those cases without independent review.

WE RECOMMEND that Berrien County FIA change the reconcilers status to INQ only and reconcile all transactions performed by the FIM's to meet the alternative internal control.

MA-010 Reconciliation - Supplemental Payments

18. Berrien County FIA did not reconcile a 100% of the Supplemental Payments listed on the Transaction Control Listing (MA-010) to the Supplemental Payment Authorization and other supporting documentation, as recommended by the Primary Internal Control Criteria for FIA Local/District Office Operations. The Local Office has the FIM's reconcile the supplemental payments for their staff, however they are not all doing the reconciliation. Reconciling 100% of the Supplemental Payments helps to ensure that the payments are accurate and appropriate.

WE RECOMMEND that Berrien County FIA reconcile a sample of the Supplemental Payments on the MA-010 to the FIA-13's and other supporting documentation.

Missing ASSIST Security Agreements

19. Forty-five employees did not have an ASSIST Security Agreements (FIA-3721) on file, as required by L-Letter 97-156. Accurate, up-to-date Enrollment Profiles and Security Agreements provide documentation that workers understand the access they have on ASSIST and the responsibility associated with that access.

WE RECOMMEND that Berrien County FIA ensure that accurate, up-to-date Enrollment Profiles and Security Agreements are on file for all employees who have access to ASSIST.

IRS Information Security

No findings in this area

Payroll and Timekeeping

No findings in this area

Procurement Card

No findings in this area

Local Office Contracting Process

No findings noted in this area.

Niles Office Findings and Recommendations

Cash Receipts

Permanent File of FIA138/2362's

20. Berrien County FIA did not maintain a permanent file of Action Taken on State Treasurers Warrants by the Local Office (FIA-138) and Services Warrant Rewrite/Disposition Request (FIA-2362) in strict alphabetical order as required by Accounting Manual Item 462. Keeping the file in alpha order provides an audit trail to the Record and Disposition of Checks/Warrants (FIA-61).

WE RECOMMEND that Berrien County FIA keep the completed FIA-138/2362's in alpha order as required by the Accounting Manual.

Safe and Controlled Documents

Control of Bus Tickets

21. Berrien County FIA did not properly control the inventory of bus tokens. The worker requests bus tickets and the fiscal clerk releases the tokens to the worker who in turn releases them to the client. Accounting Manual Item 403 requires that the fiscal office be responsible for the controlled documents. Releasing negotiable items to a worker increases the risk of misuse.

WE RECOMMEND that Berrien County FIA have the fiscal office release all control documents to the customer and have them sign for the item.

Payment Authorization Files

22. Berrien County FIA- Niles Office did not maintain the files of Authorization Invoices (FIA-849) in strict alphabetical order, as required by Accounting Manual Item 404. Rather, the local office was maintaining the FIA-849's in date order attached to the ES-440 Report. Maintaining the FIA-849's in strict alphabetical provides an audit trail to easily detect how many emergency payments a client has received, and makes the FIA-849's easy to retrieve if needed at a later date.

WE RECOMMEND that Berrien County FIA maintain FIA-849's in strict alphabetical order.